

# Comparison of BEA Estimates of Personal Income and IRS Estimates of Adjusted Gross Income

New Estimates for 1998

Revised Estimates for 1997

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This article presents a comparison of the Bureau of Economic Analysis (BEA) measure of personal income and the Internal Revenue Service (IRS) measure of adjusted gross income (AGI) of individuals by type of income. The article explains the major definitional and statistical differences between the BEA and the IRS measures, describes the various uses of the two measures, and presents a partial reconciliation of the two measures that is prepared by converting BEA's measure of personal income by type of income to the same definitional basis as the IRS measure. It also discusses the sources of the "AGI gap"—the unexplained difference remaining between the BEA estimate of AGI and the IRS AGI—the trends in the AGI gap for 1959–98, and the sources of the revision to the AGI gap for 1997.<sup>1</sup>

BEA's measure of personal income and the IRS measure of AGI are two widely used measures of household income. Personal income, which is prepared as an integral part of the national income and product accounts (NIPA's), is often used in assessing trends in output, consumer spending, saving, and investment.<sup>2</sup> AGI, which is the income concept used in the Federal income tax, is often used to estimate individual income tax revenue and income tax burden of households. By definition, personal income and AGI each include items that the other omits.

In general, personal income—the current in-

come received by persons from all sources—is the more comprehensive measure. It includes income that is generally taxed, such as wages and salaries, income from rent, self-employment earnings, dividends, and interest; income that is partly taxed, such as social security benefit payments; and several types of income that are not taxed, such as tax-exempt interest and nontaxable transfer payments, including medicare, medicaid, and welfare benefit payments. Personal income includes income whether or not it is properly reported to the IRS. In order to provide a comprehensive measure of personal saving, personal income also includes other types of income, such as employer contributions to private and government employee retirement plans, the investment income of these plans, and imputed income related to home ownership. Personal income excludes net gains from the sale of assets, pension benefit payments, and personal contributions for social insurance.

AGI—an income concept defined by tax law—consists of taxable sources of income (net of specific adjustments) received by individuals as reported on IRS Form 1040. It includes wages and salaries, income from rent, self-employment earnings, dividends, interest, pension benefit payments, net gains from the sale of assets, and other types of income not expressly exempt from taxation.

Although the two series are based on different concepts and serve different purposes, they are often used in conjunction with one another. In particular, personal income, which is available much sooner than AGI, is frequently used as an extrapolator for AGI (this article provides information that can be used to adjust the BEA measure to bring it closer in definition to AGI). In addition, the AGI gap can be used as a rough indicator of the noncompliance by individuals with the Federal tax code.

The new and revised estimates reflect the incorporation of the results of the annual revision of the

1. Annual and quarterly estimates of BEA personal income are published monthly in table 2.1 of the national income and product accounts (NIPA's) in the section "BEA Current and Historical Data" of the SURVEY OF CURRENT BUSINESS (monthly estimates are shown in table B.1). Estimates of IRS AGI are published annually in *Statistics of Income—Individual Income Tax Returns*. The estimates of the relationship between total personal income and total AGI are presented annually in NIPA table 8.28, most recently for 1996–98 in "Annual NIPA Revision: Newly Available Tables" in the September 2000 SURVEY. All the estimates are available on BEA's Web site at <[www.bea.doc.gov](http://www.bea.doc.gov)> and on STAT-USA's Web site at <[www.stat-usa.gov](http://www.stat-usa.gov)>. The reconciliation by type of income for 1959–96 is available on request; for information, write to the Government Division (BE-57), Bureau of Economic Analysis, U.S. Department of Commerce, Washington, DC 20230.

2. "Persons" in the NIPA's consists of individuals, nonprofit institutions that primarily serve individuals, private noninsured welfare funds, and private trust funds.

NIPA's that was released in July 2000 and of updated estimates of AGI from the *Statistics of Income Bulletin*.<sup>3</sup> The AGI gap for 1997 was revised down, reflecting the revisions to personal income, to the reconciliation items, and to the IRS estimate of AGI (see the section “Sources of the Revision to the AGI Gap for 1997”).

### BEA Estimates of AGI

The preparation of BEA estimates of AGI, “BEA-derived AGI,” begins with the NIPA estimates of personal income. Personal income consists of the current income received by persons from all sources—that is, from participation in current production and from government and business transfer payments. It is calculated as the sum of wage and salary disbursements, other labor income, proprietors’ income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and transfer payments to persons, less personal contributions for social insurance.

The IRS measure of AGI is defined as the sum of all the items of “total income” less the specific adjustments to total income that are authorized by legislation. Total income includes all income that is received in the form of money, property, and services and that is not expressly exempt from taxation; it excludes, for example, interest on tax-exempt State and local government bonds, voluntary contributions to thrift savings plans, and nontaxable social security benefit payments. The adjustments to total income include subtractions for contributions to individual retirement accounts and Keogh plans, for alimony paid, for moving expenses, and for several items related to self-employment income.

Table 1 and table 2 show the reconciliation between personal income and AGI, by type of income, for 1997–98. The reconciliation items that convert personal income to AGI are shown in two groups: First, those items that are included in personal income but not in AGI, and second, items included in AGI but not in personal income. A third group of reconciliation items, “intercomponent reallocations,” reallocates certain income

components so that the BEA estimates of AGI are comparable with the IRS estimates.<sup>4</sup>

### The AGI Gap

The estimates of the BEA-derived AGI differ significantly from the IRS estimates of AGI. The “AGI gap” is the difference between the total BEA-derived AGI (line 22) and total IRS AGI (line 23), and the AGI gap for each type of income (line 29) is the difference between the BEA-derived AGI for that type of income (line 22) and the reallocated IRS AGI for that type of income (line 28). The percent distribution of the AGI gap by type of income is shown in line 30, and the relative AGI gap for each type of income, which is the AGI gap for that type of income (line 29) as a percentage of the BEA-derived AGI for that type of income (line 22), is shown in line 31.

The AGI gap results from several sources. First, there are errors in the source data used to estimate the personal income components.<sup>5</sup> Second, there are errors in the IRS measure of total AGI and its components because the estimates are based on a probability sample. Third, there are errors in reconciliation items because (1) reliable data are unavailable to estimate some known items, such as income earned by individuals who are not required to file income tax returns,<sup>6</sup> (2) some of the source data used to estimate known items contain errors, and (3) some of the differences between the definition of personal income and AGI are unknown. Fourth, the estimates of BEA-derived AGI include both explicit and implicit adjustments for tax-return misreporting—that is, noncompliance. Explicit adjustments are made for the effects of tax-return misreporting on the source data used to prepare the estimates of wage and salary disburse-

4. For a discussion of the specific items that are included in each group, see Thae S. Park, “Comparison of BEA Estimates of Personal Income and IRS Estimates of Adjusted Gross Income,” SURVEY 80 (February 2000): 18.

5. AGI data are used only for the estimates of nonfarm sole proprietors’ income and royalty payments in rental income of persons. For these components of personal income, BEA adjusts for misreporting of tax return information by taxpayers. Thus, the AGI gap for these components largely reflects the explicit misreporting adjustments (line 32 in tables 1 and 2) added to the source data; other errors in the source data do not contribute to the AGI gap, because these errors are also in the personal income components. The principal source data used to prepare other components of personal income are not based on AGI data. For additional detail, see “Updated Summary NIPA Methodologies,” SURVEY 80 (October 2000): 18–40 and the text on the CD-ROM *State Personal Income, 1929–98*. Information on methodology is also available on BEA’s Web site.

6. Although some individuals who are not required to file tax returns do so mostly to secure refunds of withheld tax or to receive refunds from earned income tax credit, income earned by low-income individuals who are not required to file returns is probably the largest known missing reconciliation item. The filing requirements are generally based on gross income, filing status, marital status, age, and to a lesser extent, on dependency and blindness.

3. For a discussion of the annual NIPA revision, see Eugene P. Seskin and David F. Sullivan, “Annual Revision of the National Income and Product Accounts: Annual Estimates, 1997–99 and Quarterly Estimates, 1997:1–2000:1,” SURVEY 80 (August 2000): 6–33. For AGI data, see Internal Revenue Service, *Statistics of Income Bulletin* (Washington, DC: U.S. Government Printing Office, Spring 2000).

ments, nonfarm proprietors' income, royalty income, and personal interest income (line 32).<sup>7</sup> Implicit adjustments are also embedded in the

source data used for some components of personal income because the source data are from the payers of the income.<sup>8</sup> The IRS estimates of AGI are based on unaudited tax returns that are not adjusted for misreporting (however, the sample returns are edited for consistent statistical definitions and for incorrect or missing entries in or-

7. The major source data for these adjustments are the 1988 Taxpayer Compliance Measurement Program and Census Bureau "exact-match" files for 1990. For additional information about the calculation of these adjustments, see Robert P. Parker, "Improved Adjustments for Misreporting of Tax Return Information Used To Estimate the National Income and Product Accounts, 1977," SURVEY 64 (June 1984): 17-25; "The Comprehensive Revision of the U.S. National Income and Product Accounts: A Review of Revisions and Major Statistical Changes," SURVEY 71 (December 1991): 39-40; and "Improved Estimates of the National Income and Product Accounts for 1959-95: Results of the Comprehensive Revision," SURVEY 76 (January/February 1996): 24-25.

8. For example, the estimates of transfer payments in personal income are based on budget data from the Federal Government and from State and local governments. Information from IRS audit studies shows misreporting of these payments on individual income tax returns.

**Table 1.—Comparison of Personal Income With AGI, by Type of Income, 1997**

[Billions of dollars]

Line	Personal income	Wage and salary disbursements	Proprietors' income with IVA and CCAAdj		Rental income of persons with CCAAdj	Personal dividend income	Personal interest income	Taxable pensions and annuities	Taxable unemployment compensation	Taxable social security benefits <sup>1</sup>	Other personal income <sup>2</sup>	Income not included in personal income	
			Farm	Nonfarm									
1	<b>Personal income</b> .....	<b>6,937.0</b>	<b>3,888.9</b>	<b>29.7</b>	<b>551.5</b>	<b>128.3</b>	<b>334.9</b>	<b>864.0</b>	<sup>3</sup> <b>2.9</b>	<b>20.4</b>	<b>68.0</b>	<b>1,048.3</b>	<b>0</b>
2	<b>Less: Portion of personal income not included in adjusted gross income</b> .....	<b>2,494.8</b>	<b>93.6</b>	<b>5.5</b>	<b>7.8</b>	<b>91.1</b>	<b>209.0</b>	<b>697.5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,343.4</b>	<b>47.0</b>
3	Nontaxable transfer payments .....	870.1	0	0	0	0	0	0	0	0	0	870.1	0
4	Other labor income except fees .....	472.7	0	0	0	0	0	0	0	0	0	472.7	0
5	Imputed income in personal income <sup>4</sup> .....	291.9	10.7	.4	6.7	69.8	0	204.2	0	0	0	0	0
6	Investment income of life insurance carriers and pension plans <sup>5</sup> .....	405.7	0	0	0	1.2	50.8	353.7	0	0	0	0	0
7	Investment income received by nonprofit institutions or retained by fiduciaries .....	64.5	0	0	.3	5.6	24.2	33.7	0	0	0	.6	0
8	Differences in accounting treatment between NIPA's and tax regulations, net .....	90.0	0	5.0	.7	14.5	17.1	52.7	0	0	0	0	0
9	Other personal income exempt or excluded from adjusted gross income .....	299.9	82.9	0	0	0	116.8	53.2	0	0	0	0	<sup>6</sup> 47.0
10	<b>Plus: Portion of adjusted gross income not included in personal income</b> .....	<b>1,152.1</b>	<b>17.2</b>	<b>0</b>	<b>3.0</b>	<b>2.9</b>	<b>0</b>	<b>334.4</b>	<b>0</b>	<b>0</b>	<b>297.2</b>	<b>497.3</b>	
11	Personal contributions for social insurance .....	297.9	0	0	0	0	0	0	0	0	0	297.9	0
12	Gains, net of losses, from sale of property .....	354.6	0	0	0	0	0	0	0	0	0	0	354.6
13	Taxable pensions <sup>7</sup> .....	334.4	0	0	0	0	0	334.4	0	0	0	0	0
14	Small business corporation income .....	103.7	0	0	0	0	0	0	0	0	0	0	103.7
15	Other types of income .....	61.5	17.2	0	3.0	2.9	0	0	0	0	0	-.7	39.0
16	<b>Plus: Intercomponent reallocation</b> .....	<b>0</b>	<b>9.9</b>	<b>0</b>	<b>-6</b>	<b>0</b>	<b>43.0</b>	<b>-43.0</b>	<b>-7.2</b>	<b>0</b>	<b>0</b>	<b>-2.1</b>	<b>0</b>
17	Fees in other labor income .....	0	2.7	0	0	0	0	0	0	0	0	-2.7	0
18	Fiduciaries' share of partnership income <sup>8</sup> .....	0	0	0	-6	0	0	0	0	0	0	.6	0
19	Interest received by nonfarm proprietors .....	0	0	0	0	0	0	0	0	0	0	0	0
20	Interest distributed by regulated investment companies .....	0	0	0	0	0	43.0	-43.0	0	0	0	0	0
21	Taxable disability income payments .....	0	7.2	0	0	0	0	0	-7.2	0	0	0	0
22	<b>Equals: BEA-derived adjusted gross income</b> .....	<b>5,594.3</b>	<b>3,822.5</b>	<b>24.2</b>	<b>546.1</b>	<b>40.2</b>	<b>168.9</b>	<b>123.4</b>	<b>330.2</b>	<b>20.4</b>	<b>68.0</b>	<b>0</b>	<b>450.3</b>
23	<b>Adjusted gross income of IRS (as reported)</b> .....	<b>4,970.0</b>	<b>3,613.9</b>	<b>-6.8</b>	<b>186.7</b>	<b>22.4</b>	<b>120.5</b>	<b>171.7</b>	<b>259.7</b>	<b>17.2</b>	<b>61.6</b>	<b>72.8</b>	<b>450.3</b>
24	<b>Plus: Intercomponent reallocation</b> .....	<b>0</b>	<b>0</b>	<b>.5</b>	<b>66.5</b>	<b>5.8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-72.8</b>	<b>0</b>
25	Estate or trust income .....	0	0	0	2.3	5.8	0	0	0	0	0	-8.1	0
26	Partnership income .....	0	0	.5	64.1	0	0	0	0	0	0	-64.6	0
27	Other reallocations .....	0	0	0	0	0	0	0	0	0	0	0	0
28	<b>Adjusted gross income of IRS (reallocated)</b> .....	<b>4,970.0</b>	<b>3,613.9</b>	<b>-6.3</b>	<b>253.2</b>	<b>28.1</b>	<b>120.5</b>	<b>171.7</b>	<b>259.7</b>	<b>17.2</b>	<b>61.6</b>	<b>0</b>	<b>450.3</b>
29	<b>Adjusted gross income gap</b> .....	<b>624.3</b>	<b>208.6</b>	<b>30.6</b>	<b>292.9</b>	<b>12.0</b>	<b>48.4</b>	<b>-48.3</b>	<b>70.4</b>	<b>3.2</b>	<b>6.5</b>	<b>0</b>	<b>0</b>
30	Percent distribution of AGI gap .....	100.0	33.4	4.9	46.9	1.9	7.8	-7.7	11.3	.5	1.0	.....	.....
31	Relative AGI gap <sup>9</sup> .....	11.2	5.5	126.0	53.6	29.9	28.7	-39.1	21.3	15.5	9.5	.....	.....
32	<b>Addendum: Misreporting adjustments included in personal income</b> .....	<b>311.7</b>	<b>89.9</b>	.....	<b>231.8</b>	<b>1.3</b>	.....	<b>-11.3</b>	.....	.....	.....	.....	.....

See the footnotes at the end of table 2.

der to make them consistent with other entries on the returns and with accompanying schedules).

BEA believes that the explicit and implicit adjustments for misreporting account for a major part of the AGI gap. For 1998, the explicit adjust-

ments accounted for \$337.6 billion of the \$695.4 billion gap. The AGI gap can be considered a rough indicator of noncompliance with the Federal tax code, and the relative AGI gap—the AGI gap as a percentage of the BEA-derived AGI—can

**Table 2.—Comparison of Personal Income With AGI, by Type of Income, 1998**

[Billions of dollars]

Line	Personal income	Wage and salary disbursements	Proprietors' income with IVA and CCA <sub>adj</sub>		Rental income of persons with CCA <sub>adj</sub>	Personal dividend income	Personal interest income	Taxable pensions and annuities	Taxable unemployment compensation	Taxable social security benefits <sup>1</sup>	Other personal income <sup>2</sup>	Income not included in personal income	
			Farm	Nonfarm									
1	<b>Personal income</b> .....	7,391.0	4,190.7	25.4	595.2	135.4	351.1	940.8	3.0	20.0	77.2	1,052.1	0
2	<b>Less: Portion of personal income not included in adjusted gross income</b> .....	2,611.8	100.0	6.2	6.4	100.1	248.2	736.1	0	0	0	1,365.2	49.8
3	Nontaxable transfer payments .....	882.0	0	0	0	0	0	0	0	0	0	882.0	0
4	Other labor income except fees .....	482.6	0	0	0	0	0	0	0	0	0	482.6	0
5	Imputed income in personal income <sup>4</sup> .....	320.5	11.0	.4	7.3	79.3	0	222.6	0	0	0	0	0
6	Investment income of life insurance carriers and pension plans <sup>5</sup> .....	435.7	0	0	0	1.2	59.0	375.6	0	0	0	0	0
7	Investment income received by nonprofit institutions or retained by fiduciaries .....	60.0	0	0	.3	5.6	21.4	32.1	0	0	0	.7	0
8	Differences in accounting treatment between NIPA's and tax regulations, net .....	88.9	0	5.8	-1.2	14.1	15.9	54.5	0	0	0	0	0
9	Other personal income exempt or excluded from adjusted gross income .....	342.1	89.0	0	0	0	152.0	51.4	0	0	0	0	<sup>6</sup> 49.8
10	<b>Plus: Portion of adjusted gross income not included in personal income</b> .....	1,305.8	18.8	0	3.3	3.0	0	359.9	0	0	0	315.3	605.2
11	Personal contributions for social insurance .....	316.2	0	0	0	0	0	0	0	0	0	316.2	0
12	Gains, net of losses, from sale of property .....	414.2	0	0	0	0	0	0	0	0	0	0	414.2
13	Taxable pensions <sup>7</sup> .....	359.9	0	0	0	0	0	359.9	0	0	0	0	0
14	Small business corporation income .....	108.4	0	0	0	0	0	0	0	0	0	0	108.4
15	Other types of income .....	106.9	18.8	0	3.3	3.0	0	0	0	0	0	-9	82.6
16	<b>Plus: Intercomponent reallocation</b> .....	0	10.5	0	-7	0	60.5	-60.5	-7.6	0	0	-2.3	0
17	Fees in other labor income .....	0	2.9	0	0	0	0	0	0	0	0	-2.9	0
18	Fiduciaries' share of partnership income <sup>8</sup> .....	0	0	0	-7	0	0	0	0	0	0	.7	0
19	Interest received by nonfarm proprietors .....	0	0	0	0	0	0	0	0	0	0	0	0
20	Interest distributed by regulated investment companies .....	0	0	0	0	0	60.5	-60.5	0	0	0	0	0
21	Taxable disability income payments .....	0	7.6	0	0	0	0	0	-7.6	0	0	0	0
22	<b>Equals: BEA-derived adjusted gross income</b> .....	6,084.7	4,120.0	19.2	591.6	38.4	163.4	144.2	355.3	20.0	77.2	0	555.4
23	<b>Adjusted gross income of IRS (as reported)</b> .....	5,389.3	3,894.4	-7.1	195.8	19.0	114.9	168.8	284.9	16.8	69.9	76.5	555.4
24	<b>Plus: Intercomponent reallocation</b> .....	0	0	.2	70.2	6.1	0	0	0	0	0	-76.5	0
25	Estate or trust income .....	0	0	0	2.8	6.1	0	0	0	0	0	-8.9	0
26	Partnership income .....	0	0	.2	67.4	0	0	0	0	0	0	-67.6	0
27	Other reallocations .....	0	0	0	0	0	0	0	0	0	0	0	0
28	<b>Adjusted gross income of IRS (reallocated)</b> .....	5,389.3	3,894.4	-6.9	266.0	25.1	114.9	168.8	284.9	16.8	69.9	0	555.4
29	<b>Adjusted gross income gap</b> .....	695.4	225.6	26.1	325.5	13.3	48.5	-24.6	70.4	3.2	7.4	0	0
30	Percent distribution of AGI gap .....	100.0	32.4	3.8	46.8	1.9	7.0	-3.5	10.1	.5	1.1		
31	Relative AGI gap <sup>9</sup> .....	11.4	5.5	135.9	55.0	34.5	29.7	-17.0	19.8	16.0	9.5		
32	<b>Addendum: Misreporting adjustments included in personal income</b> .....	337.6	97.4		252.6	1.0		-13.3					

1. Taxable social security benefits also include the social security equivalent benefit portion of tier 1 railroad retirement benefits.

2. Consists primarily of other labor income and the nontaxable transfer payments to persons, less personal contributions for social insurance.

3. Consists of tier 2 railroad retirement benefits that are taxed in the same manner as benefits paid under private employer retirement plans.

4. Consists of the imputations included in personal income shown in NIPA table 8.21 (line 53), except for employer contributions for health and life insurance premiums (line 146). In this table, these premiums are included in line 4.

5. Consists of imputed interest received by persons from life insurance carriers shown in NIPA table 8.20 (line 53) and investment income of private and government employee pension plans.

6. Statutory adjustments or specific adjustments ("above-the-line deductions") from gross income taken to arrive at AGI.

7. Consists of the taxable portion of private and government employee retirement plan benefit payments.

8. Consists of partnership income retained by fiduciaries.

9. Adjusted gross income gap (line 29) as a percentage of the BEA-derived AGI (line 22).

AGI Adjusted gross income  
BEA Bureau of Economic Analysis  
CCA<sub>adj</sub> Capital consumption adjustment  
IVA Inventory valuation adjustment  
IRS Internal Revenue Service  
NIPA National income and product accounts

be considered a rough indicator of the noncompliance rate in the reporting of income included in AGI.<sup>9</sup>

### The AGI Gap by Type of Income for 1959–98

Table 3 shows the estimates of the AGI gap for total income and for each type of income for 1959–98, and table 4 shows the relative AGI gap for total income and for each type of income for 1959–98. Over this period, the relative AGI gap for total income averaged about 11 percent: It declined from 10 percent in 1959 to a low of about 9 percent in the late 1960's, increased to a high of 13½ percent

in 1984, and then moved irregularly downward to about 11 percent in 1998.

The relative AGI gap for wage and salary disbursements is the smallest among the types of income, primarily because income tax withholding at the source is required for wage and salary disbursements. The relative AGI gap for wage and salary disbursements averaged about 3 percent over the period; it declined from 3 percent in 1959 to a low of 1 percent in 1982 and then increased to 5½ percent in 1998.

The trends in the relative AGI gaps for nonwage incomes partly offset each other (see the addenda in table 4). For nonwage incomes subject to the requirements for filing information returns, the trend in the combined relative AGI gap is generally

9. Misreporting adjustments shown in line 32 of tables 1 and 2 exclude misreporting on income items that are excluded from personal income—such as capital gain, income from small business corporations, and alimony.

**Table 3.—The BEA and IRS Measures of AGI and the AGI Gap by Type of Income, 1959–98**

[Billions of dollars]

Year	BEA-derived AGI	IRS AGI	AGI gap	Wage and salary disbursements	Proprietors' income		Rental income of persons	Personal dividend and personal interest income			Taxable pensions and annuities	Taxable unemployment compensation	Taxable social security benefits
					Farm	Nonfarm		Total	Personal dividend income	Personal interest income			
1959	339.1	305.1	34.0	7.7	7.1	9.7	-0.1	7.9	0.8	7.1	1.7	0	0
1960	351.4	315.5	36.0	8.8	6.4	10.1	.0	8.7	1.2	7.6	1.9	0	0
1961	365.8	329.9	36.0	7.5	5.6	11.5	.4	8.9	1.2	7.7	2.1	0	0
1962	387.8	348.7	39.1	9.1	6.2	11.8	.4	9.4	1.2	8.2	2.2	0	0
1963	409.2	368.8	40.4	8.3	7.0	12.6	.7	9.4	1.3	8.1	2.4	0	0
1964	442.2	396.7	45.6	10.2	6.3	14.1	.8	11.4	2.0	9.5	2.8	0	0
1965	479.8	429.2	50.6	11.7	7.1	14.2	1.2	13.3	2.3	11.0	3.2	0	0
1966	521.7	468.5	53.3	13.5	7.3	15.9	1.0	12.0	.5	11.5	3.5	0	0
1967	555.4	504.8	50.6	11.0	5.7	16.6	.9	12.4	.5	11.9	4.0	0	0
1968	609.3	554.4	54.9	13.6	5.5	17.0	.7	13.7	.9	12.9	4.3	0	0
1969	663.3	603.5	59.7	12.4	7.7	18.7	.7	15.2	.7	14.5	5.0	0	0
1970	699.3	631.7	67.6	13.1	9.3	20.5	.9	17.7	1.0	16.7	6.1	0	0
1971	744.8	673.6	71.2	13.3	8.3	23.7	.8	18.3	1.4	16.9	7.1	0	0
1972	825.5	746.0	79.5	10.8	10.9	28.8	1.6	19.2	2.0	17.2	8.2	0	0
1973	926.1	827.1	99.0	16.4	16.7	32.2	1.5	23.5	3.4	20.1	8.6	0	0
1974	1,005.4	905.5	99.8	8.8	17.8	38.1	.4	25.2	2.7	22.5	9.5	0	0
1975	1,048.0	947.8	100.2	13.6	12.6	42.2	.1	21.1	1.0	20.0	10.7	0	0
1976	1,169.1	1,053.9	115.2	13.2	11.7	53.6	-4	25.3	3.8	21.5	11.8	0	0
1977	1,297.6	1,158.5	139.1	19.3	9.9	61.3	1.8	34.5	6.2	28.3	12.3	0	0
1978	1,469.6	1,302.4	167.1	24.7	13.0	73.5	2.2	38.9	7.3	31.6	14.9	0	0
1979	1,658.5	1,465.4	193.1	19.7	15.3	84.6	3.9	50.6	9.2	41.4	18.5	.4	0
1980	1,831.6	1,613.7	217.9	21.3	19.6	89.2	7.1	56.5	12.5	44.1	23.4	.8	0
1981	2,016.3	1,772.6	243.7	21.0	21.3	90.5	12.5	68.7	22.4	46.3	28.8	.9	0
1982	2,094.7	1,852.1	242.6	16.5	17.5	95.5	15.5	62.1	18.4	43.7	33.5	2.0	0
1983	2,225.7	1,942.6	283.1	23.5	29.5	109.9	15.6	62.7	23.4	39.3	39.3	2.6	0
1984	2,473.3	2,139.9	333.4	27.5	28.8	141.4	19.9	62.7	28.9	33.7	47.2	1.3	4.6
1985	2,629.9	2,306.0	323.9	41.8	25.0	147.2	22.4	34.8	22.1	12.7	48.2	1.4	3.2
1986	2,848.3	2,481.7	366.6	55.1	29.5	147.2	19.5	45.3	19.7	25.6	65.7	1.2	3.1
1987	3,125.4	2,773.8	351.6	76.3	32.6	121.6	15.1	45.7	27.5	18.1	55.0	2.6	2.8
1988	3,415.8	3,083.0	332.8	80.0	36.6	122.9	8.3	37.9	23.1	14.8	42.4	1.9	2.8
1989	3,658.6	3,256.4	402.3	108.2	31.0	127.4	3.9	71.6	40.9	30.7	54.8	2.4	3.0
1990	3,813.2	3,405.4	407.8	112.8	28.4	134.4	4.4	67.4	42.0	25.4	54.3	2.8	3.0
1991	3,864.4	3,464.5	399.9	100.4	30.9	139.3	7.4	65.3	43.8	21.5	49.8	3.6	3.2
1992	4,108.3	3,629.1	479.2	127.3	32.4	165.1	12.0	72.9	32.7	40.2	56.6	8.3	4.5
1993	4,260.0	3,723.3	536.7	145.4	39.0	200.5	10.1	71.5	31.6	39.9	56.7	7.3	6.1
1994	4,485.7	3,907.5	578.2	154.3	28.5	223.5	12.7	84.0	50.5	33.5	63.4	3.9	8.0
1995	4,766.4	4,189.4	577.0	162.8	37.3	246.4	15.5	35.9	35.2	.7	67.7	2.6	8.8
1996	5,151.6	4,536.0	615.6	188.0	32.1	278.1	13.4	24.5	45.4	-20.9	69.2	3.2	7.2
1997	5,594.3	4,970.0	624.3	208.6	30.6	292.9	12.0	0.2	48.4	-48.3	70.4	3.2	6.5
1998	6,084.7	5,389.3	695.4	225.6	26.1	325.5	13.3	23.9	48.5	-24.6	70.4	3.2	7.4

AGI Adjusted gross income  
BEA Bureau of Economic Analysis  
IRS Internal Revenue Service

downward.<sup>10</sup> The combined relative AGI gap for nonwage incomes subject to the filing requirements declined from about 39 percent in 1959 to 14 percent in 1998.<sup>11</sup>

10. Personal dividend income and personal interest income are the primary examples of nonwage incomes subject to the requirements for filing information returns. In recent years, estimating the AGI gap for these types of income has been difficult because the taxable portion of interest received by individuals from mutual funds is reallocated from personal interest income to personal dividend income (line 19 in tables 1 and 2), because the allocation of income received from private noninsured pension plans (part of line 6) between interest and dividends is based on incomplete data, and because some individuals may have inadvertently reported income from mutual funds as interest rather than as dividends on their tax returns. Thus, tables 3 and 4 show the AGI gap for personal dividend and personal interest income combined as well as the AGI gaps for each of these types of income.

11. Beginning with 1984, taxes have been withheld on taxable pension benefit payments unless the recipient elects not to have the tax withheld and on interest and dividends if the recipient fails to furnish a correct taxpayer identification number or has interest or dividends that were underreported on past returns.

The combined relative AGI gap for incomes not subject to the filing requirements (the **second addenda item in table 4**) averaged about 50 percent over the period; it increased from about 32 percent in 1959 to about 80 percent—its highest level—in 1984, decreased to about 48 percent in 1990, and then increased to about 56 percent in 1998.

### Sources of the Revision to the AGI Gap for 1997

Table 5 shows the revisions to personal income, reconciliation items, BEA-derived AGI, AGI of IRS, and the AGI gap for 1997. The \$6.0 billion downward revision to the AGI gap for 1997 (line 29) resulted from \$9.8 billion of revisions to personal income that carried through to increase the

**Table 4.—The Relative AGI Gap by Type of Income, 1959–98**

[Percent]

Year	Total	Wage and salary disbursements	Proprietors' income			Rental income of persons	Personal dividend and interest income			Taxable pensions and annuities	Taxable unemployment compensation	Taxable social security benefits	Addenda	
			Farm	Nonfarm	Total		Personal dividend income	Personal interest income	Incomes, except wages and salaries, subject to filing requirements <sup>1</sup>				Incomes not subject to filing requirements <sup>2</sup>	
1959	10.0	3.0	68.9	25.6	-2.2	36.5	7.6	61.8	53.3	0	0	38.6	32.4	
1960	10.2	3.3	66.1	27.1	1.0	37.4	10.8	60.0	54.1	0	0	39.6	32.7	
1961	9.8	2.7	59.0	29.1	10.1	36.3	10.7	57.5	53.5	0	0	38.7	33.0	
1962	10.1	3.1	61.5	28.4	9.3	34.5	10.3	53.3	48.5	0	0	36.5	33.1	
1963	9.9	2.7	68.0	29.5	17.0	31.2	9.9	46.8	47.4	0	0	33.6	35.4	
1964	10.3	3.0	66.6	30.1	19.0	34.1	14.1	48.3	47.2	0	0	36.1	35.1	
1965	10.5	3.3	63.8	28.8	25.8	35.5	15.1	49.4	47.0	0	0	37.2	34.5	
1966	10.2	3.4	60.6	30.2	21.6	30.7	3.4	46.6	44.0	0	0	32.9	34.9	
1967	9.1	2.6	59.3	29.8	19.8	29.9	3.2	44.5	44.2	0	0	32.4	33.2	
1968	9.0	2.9	59.2	28.6	15.9	30.0	5.5	43.4	41.8	0	0	32.2	31.6	
1969	9.0	2.4	64.6	30.5	15.0	30.1	4.5	42.5	42.1	0	0	32.4	34.9	
1970	9.7	2.4	73.0	32.9	19.0	31.9	6.2	43.1	43.5	0	0	34.2	38.5	
1971	9.6	2.3	75.5	35.3	15.9	31.2	8.4	40.5	43.2	0	0	33.8	39.5	
1972	9.6	1.7	69.1	38.6	25.2	30.2	10.6	38.5	42.8	0	0	33.2	42.7	
1973	10.7	2.3	65.7	39.7	20.2	31.6	15.3	38.5	39.5	0	0	33.4	44.3	
1974	9.9	1.1	73.8	43.2	6.4	29.5	11.5	36.3	36.2	0	0	31.0	47.3	
1975	9.6	1.7	72.7	45.5	1.8	24.4	4.6	31.5	33.9	0	0	26.9	47.1	
1976	9.9	1.5	72.2	48.6	-6.8	25.8	13.6	30.7	32.4	0	0	27.5	48.7	
1977	10.7	2.0	89.7	49.1	21.8	29.7	18.7	34.1	29.6	0	0	29.7	50.6	
1978	11.4	2.2	73.2	51.6	22.9	29.9	19.5	34.0	31.3	0	0	30.3	52.3	
1979	11.6	1.6	83.9	54.7	37.0	32.0	21.6	35.9	33.1	30.7	0	32.3	56.5	
1980	11.9	1.6	106.8	57.4	52.5	28.7	24.3	30.2	35.1	27.0	0	30.2	61.9	
1981	12.1	1.4	156.2	62.5	69.6	27.8	32.7	26.0	35.7	27.3	0	29.8	70.4	
1982	11.6	1.0	228.1	64.8	81.1	22.9	26.1	21.8	35.8	21.8	0	26.1	73.8	
1983	12.7	1.4	146.4	64.5	97.1	23.7	32.5	20.4	36.0	27.1	0	27.3	75.0	
1984	13.5	1.5	198.6	68.0	123.7	21.8	37.3	16.1	37.0	17.8	36.7	26.6	79.7	
1985	12.3	2.1	202.5	66.2	134.2	12.8	28.6	6.5	33.6	17.6	25.0	20.1	77.4	
1986	12.9	2.6	135.4	64.7	190.6	16.5	24.2	13.2	37.9	15.0	22.6	24.5	75.6	
1987	11.2	3.4	102.0	51.9	139.4	16.2	29.2	9.7	30.6	17.2	18.1	21.6	61.1	
1988	9.7	3.3	101.0	45.2	83.4	12.6	23.0	7.4	23.4	13.9	16.4	16.5	52.7	
1989	11.0	4.2	96.2	44.3	51.2	19.2	33.4	12.2	27.1	16.8	14.6	21.6	49.6	
1990	10.7	4.2	96.2	43.9	39.7	18.0	34.4	10.1	25.4	15.5	13.2	20.3	48.2	
1991	10.3	3.6	105.0	44.6	47.9	18.5	36.2	9.3	22.0	13.5	13.1	19.4	49.7	
1992	11.7	4.3	103.7	46.1	48.5	23.3	29.5	19.9	23.3	21.0	16.2	22.8	50.6	
1993	12.6	4.8	107.7	50.4	37.4	25.3	28.4	23.3	22.6	21.0	19.9	23.7	54.2	
1994	12.9	4.8	132.2	51.6	38.7	28.7	38.0	21.0	23.6	16.0	17.2	25.2	54.3	
1995	12.1	4.8	125.5	53.2	41.6	12.6	27.1	.5	23.4	11.9	16.2	17.7	56.4	
1996	12.0	5.3	126.8	54.1	33.8	8.3	30.3	-14.4	22.5	14.3	12.0	15.2	55.9	
1997	11.2	5.5	126.0	53.6	29.9	.1	28.7	-39.1	21.3	15.5	9.5	11.3	55.0	
1998	11.4	5.5	135.9	55.0	34.5	7.8	29.7	-17.0	19.8	16.0	9.5	13.8	56.2	

1. Consists of personal dividend income, personal interest income, taxable pensions, taxable unemployment compensation, and taxable social security benefits. These types of income have been subject to varying degrees of withholding since 1984.

2. Consists of farm proprietors' income, nonfarm proprietors' income, and rental income of persons.

NOTE.—The relative AGI gap is the AGI gap as a percentage of the BEA-derived AGI and is shown in line 31 of tables 1 and 2.

AGI Adjusted gross income  
BEA Bureau of Economic Analysis

AGI gap, from \$27.1 billion of revisions to reconciliation items unrelated to the revisions to personal income or to AGI that carried through to reduce the AGI gap, and from \$11.3 billion of revisions to AGI components that carried through to increase the AGI gap.

Total personal income was revised down \$14.1 billion for 1997 (line 1). The downward revision reflected \$9.8 billion of upward revisions to personal income components that carried through to increase the BEA-derived AGI and the AGI gap and \$23.9 billion of downward revisions that resulted in offsetting revisions to reconciliation items. The offsetting revisions to reconciliation items included revisions to nontaxable transfer payments (line 3), other labor income except fees (line 4), part of differences in accounting treatment between NIPA's and tax regulations (line 8), part of other personal income exempt or excluded

from AGI (line 9), and personal contributions for social insurance (line 11).

Reconciliation items unrelated to personal income or to AGI were revised down \$27.1 billion. Other things being equal, revisions to the unrelated reconciliation items are all carried through to the BEA-derived AGI and the AGI gap. Revisions to unrelated reconciliation items included revisions to investment income of pension plans (part of line 6), investment income received by nonprofit institutions or retained by fiduciaries (line 7), part of other personal income exempt or excluded from AGI (line 9), taxable pensions (line 13), and part of other types of income (line 15).<sup>12</sup>

The reconciliation items shown in lines 6, 7, and 9 are components of personal income, but they are derived in aggregate in the estimation of personal income; similarly, several reconciliation items included in line 15 are components of AGI, but they are also derived in aggregate in the estimation of AGI. Separate estimates of these reconciliation items are prepared only for reconciliation purposes. Thus, revisions to the separately estimated reconciliation items are unrelated to the revisions to personal income or to AGI, so they are carried through to the AGI gap.

Total AGI was revised down \$3.7 billion for 1997 (line 23). The \$3.7 billion downward revision to total AGI reflected \$11.3 billion of downward revisions that carried through to increase the AGI gap and \$7.6 billion of upward revisions that resulted in offsetting revisions to reconciliation items. The offsetting revisions to reconciliation items included revisions to gains, net of losses, from sale of property (line 12), small business corporation income (line 14), and most of other types of income (line 15).

The incorporation of the results of this year's annual NIPA revision resulted in no change in the relative AGI gap for total income (line 31). 

**Table 5.—Sources of Revision to the AGI Gap, 1997**

[Billions of dollars]

Line <sup>1</sup>		1997
1	<b>Personal income</b> .....	-14.1
2	<b>Less: Portion of personal income not included in adjusted gross income</b> .....	-3.5
3	Nontaxable transfer payments .....	.1
4	Other labor income except fees .....	-25.5
5	Imputed income in personal income .....	-1.1
6	Investment income of life insurance carriers and pension plans .....	10.8
7	Investment income received by nonprofit institutions or retained by fiduciaries .....	4.5
8	Differences in accounting treatment between NIPA's and tax regulations, net .....	2.7
9	Other personal income exempt or excluded from adjusted gross income .....	5.1
10	<b>Plus: Portion of adjusted gross income not included in personal income</b> .....	.9
11	Personal contributions for social insurance .....	-2
12	Gains, net of losses, from sale of property .....	16.4
13	Taxable pensions .....	-6.6
14	Small business corporation income .....	2.9
15	Other types of income .....	-11.7
22	<b>Equals: BEA-derived adjusted gross income</b> .....	-9.7
23	<b>Adjusted gross income of IRS</b> .....	-3.7
29	<b>Adjusted gross income (AGI) gap</b> .....	-6.0
31	Relative AGI gap .....	0

1. Line numbers in this table correspond to those in table 1.

AGI Adjusted gross income

BEA Bureau of Economic Analysis

IRS Internal Revenue Service

NIPA's National income and product accounts

12. Taxable pensions (line 13) include benefit payments from private and government employee retirement plans. Pension benefit payments is not a component of personal income. The taxable portion of these payments is an unrelated reconciliation item because a separate estimate is prepared only for reconciliation purposes.